

**UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION**

Forward Contracting by California Utilities

Docket No. PL01-2-000

**SECOND REPORT OF THE CHIEF JUDGE TO THE COMMISSION
AND ORDER SCHEDULING FURTHER CONFERENCES**

(Issued January 5, 2001)

TO THE COMMISSION:

The conferences directed by the Commission in its December 18, 2000 order, continued on January 3, 4, and 5, 2001, in Washington, D.C. In listing the participants in my First Report to the Commission issued on December 20, 2000, I failed to mention that the conferences were also attended by and participated in by representatives of Senator Barbara Boxer's office, Los Angeles Department of Water Power, Sacramento Municipal Utilities District, Northern California Power Agency, Transmission Agency of Northern California, California Large Energy Consumers Association, and Public Citizen. Further conferences will be held in Washington D.C. on January 10, 11, and 12, and tentatively in San Francisco on January 17, 18, and 19, 2001.

The parties worked very hard and cooperated to the maximum extent and showed good faith throughout the negotiations. Among conclusions and agreements reached during the conference:

1. The IOUs provided information on their supply needs over the next five years and the generators and marketers present identified the amount of supply they have to offer during that period.
2. Key participants in the California market, including federal power agencies, the qualifying facilities, municipals, public power agencies, and Canadian interests were not involved in the current meetings. These entities are needed and are strongly encouraged to be present and participate in future discussions.
3. The parties agreed that a comprehensive solution is required to address the problems of the California market. Solutions for two to five years are under consideration by parties.
4. The parties engaged in useful and productive bilateral discussions regarding long-term contracts.

5. The parties gained a better understanding of the structure of the utilities' supply portfolios and the gap between current retail rates and wholesale market costs. This information provides an essential framework for considering solution proposals.
6. While the California Utility Commission (CPUC) participated by telephone, participants urge the CPUC to attend and take a much more active part in the discussions since it is an essential part of any solution.
7. The issue of QF pricing is a key element in arriving at a solution to this problem and needs to be addressed immediately by the CPUC.

As indicated above, further conferences will be presided over by Chief Judge Wagner beginning at 10 A.M. on January 10 and continuing for the remainder of the week in Hearing Room 1 of the Federal Energy Regulatory Commission, 888 First Street, NE., Washington, DC. All participants are directed to have principals and **business** people present who have authority to approve any matter agreed upon. This is necessary so that time is not lost waiting for approvals. In addition, all parties, particularly the municipals and other power providers who have not previously attended, are urged to have information and statistics with them showing their total capacity requirements and any shortfalls or any overages that might be available for sell into the market. This information will be provided to the Chief Judge in confidence who will make an anonymous aggregated compilations.

Curtis L. Wagner, Jr.
Chief Administrative Law Judge